

Message Text

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ACTION EB-06

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4762

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K

FOLLOWING TEL SENT ACTION NEW DELHI INFO DACCA ON OCT 23.

NOW REPEATED FOR YOUR INFO.

QUOTE

LIMITED OFFICIAL USE CALCUTTA 2251

E.O. 11652: N/A

TAGS: ETRD, IN

SUBJ: JUTE INDUSTRY BUSINESSMAN'S VISIT

REF: STATE 228624

1. MR. MCCOWAN CALLED AT CONGEN OCTOBER 21 AND GAVENBC VERY INTERESTING FILL-IN ON THE INTERNATIONAL JUTE SITUATION, WITH PARTICULAR REFERENCE TO THE INDIAN INDUSTRY AND ITS FUTURE.

2. WE GATHER THAT ONE OF MCCOWAN'S OBJECTIVES WITH HIS INDIAN FRIENDS AND CONTACTS IN JUTE IS TO JAR THEM INTO AN AWAKENING OF DANGERS OF PRICE AND PRODUCTION COMPLACENCY, PARTICULARLY AS REGARDS CARPETBACKING. IN SPITE OF THE RISE IN COST OF PETROLEUM, POLYPROPYLENE PRIMARY CARPET BACKING IS STILL ABOUT 25 PERCENT CHEAPER IN THE U.S. THAN JUTE PRODUCT COMPETITOR, AND NWS CONSISTENTLY WON LARGER AND LARGER PERCENTAGE OF THIS GROWING U.S. MARKET (JUTE'S PERCENTAGE IS LIMITED OFFICIAL USE

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NOW DOWN TO AROUND 30 ;34:3,5 *49. 80 PERCENT IN 1968).

JUTE SECONDARY CARPET BACKING, BY CONTRAST, IS STILL LESS EXPENSIVE THAN SYNTHETIC COUNTERPART, AND CONTINUES TO HOLD RATHER STEADY PERCENTAGE OF U.S. MARKET. MCCOWAN THINKS IT IS ONLY A MATTER OF TIME, HOWEVER, BEFORE THE BIG PETRO-CHEMICAL COMPANY MANUFACTURERS OF POLYPROPYLENE DEVELOP A MORE COMPETITIVE SUBSTITUTE HERE TOO. HE NOTED THAT MUCH OF THE PRIMARY CARPET BACKING MARKET IN THE EEC HAD ALSO GONE TO SYNTHETICS, AND THAT EVEN IN CERTAIN SOCIALIST COUNTRIES (POLAND, HUNGARY) COMPETITION FROM SYNTHETICS HAD HALTED EXPANSION IN DEMAND FOR JUTE GOODS. THE HESSIAN MARKET REMAINED COMPARATIVELY FIRM, PARTICULARLY IN THE SOCIALIST COUNTRIES, AND THIS HAD LED TO SOME INDIAN MILLS' RECEIVING AND FILLING SPOT ORDERS FOR HESSIAN AT THE EXPENSE OF CARPETBACKING PRODUCTION. ALTHOUGH LUCRATIVE IN THE SHORT TERM, THIS POLICY WOULD TURN A BLIND EYE TOWARD THE LONGER TERM PROBLEMS OF THE INDUSTRY WHICH NEEDED TO BE FOCUSED ON NOW. INDIA'S JUTE COMMISSION IS AWARE OF THIS, AND INTERVENED LAST SUMMER TO STOP THE PRACTICE.

3. IN RESPONSE TO OUR QUESTION AS TO WHAT HE THOUGHT THE GOI MIGHT DO TO PROMOTE THE FUTURE OF JUTE, MR. MCCOWAN SAID HE THOUGHT THE MOST IMPORTANT THING WAS FOR THE GOI TO GET MOVING ON PARTICIPATION ON THE PROPOSED JUTE INTERNATIONAL. IN THIS CONTEXT HE MENTIONED THE FURTHER NEED FOR RESEARCH AND DEVELOPMENT. AS FOR DOMESTIC MEASURES, MCCOWAN THOUGHT STEPS NEEDED TO BE TAKEN NOW TO INCREASE YIELDS PER ACRE OF BOTH INDIAN AND BANGLADESH JUTE LAND, AIMING AT LOWER UNIT PRICE FOR RAW JUTE; THAT INDIAN EXPORT DUTIES ON JUTE PRODUCTS NEEDED TO BE ELIMINATED; AND THAT THE INDIAN CONTROLLED MINIMUM EXPORT PRICE ON CARPETBACKING NEEDED TO BE REVIEWED AND PERHAPS ADJUSTED MORE OFTEN IN ORDER TO REMAIN CONSONANT WITH MARKET TRENDS. INCREASES IN THE PRICE OF OIL WOULD, OF COURSE, MAKE SYNTHETICS MORE EXPENSIVE (BUT NOT PROPORTIONALLY MORE, AS PETROLEUM BY-PRODUCTS DO NOT ALWAYS FOLLOW LARGE PERCENTAGES OF THE RAW MATERIAL USED FOR SYNTHETICS). AND U.S. GOVERNMENT PROPOSED LEGISLATION SEEKING TO LIMIT THE COMBUS-

TIBILITY CONTENT OF PACKAGING AND SACKING WOULD ALSO GIVE A LIMITED BOOST TO JUTE PRODUCTS.

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4. MR. MCCOWAN IS AN OLD CALCUTTA AND JUTE HAND AND WE FOUND IT A UNIQUE AND WELCOME OPPORTUNITY TO TALK TO SOMEONE LIKE THIS OUTSIDE OF THADLOCAL JUTE CIRCLES. AS WE ASKED QUESTIONS, HE VOLUNTEERED AND GAVE US COPIES OF SOME OF THE STATISTICS HE HAD COLLECTED AND SOME HE HAD COMPILED ON THE JUTE MARKET

IN THE U.S. THOUGH WE HAD LEARNED EARLIER ABOUT HIS VISIT, WE APPRECIATED WASHINGTON'S THOUGHT IN INFORMING US.

PICKERING
BUNQUOTE SCHNEIDER

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